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TAGS: [ECPS](#) [EINV](#) [EIND](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA TRANSCORP'S PURCHASE OF NITEL IN JEOPARDY

REF: ABUJA 1802

[¶1.](#) Summary. Nigeria's Bureau of Public Enterprises (BPE) sold on July 3 a 75% stake in the state-owned Nigerian Telecommunications (NITEL) Limited and its M-Tel subsidiary to Nigeria's Transcorp for \$750 million in a negotiated sales process. Transcorp failed to meet its terms of purchase, including to pay the GON \$500 million within seven working days, but it paid \$75 million and received a 60-day extension for the balance. Other issues still threaten this transaction. End summary.

[¶2.](#) Nigeria's Bureau of Public Enterprises (BPE) sold on July 3 a 75% stake in the state-owned Nigerian Telecommunications (NITEL) Limited and its M-Tel cellular subsidiary to Nigeria's Transcorp for \$750 million in a negotiated sale. Transcorp failed to meet its terms of purchase, including to pay the BPE \$500 million within seven working days. Transcorp managed to pay \$75 million to the BPE by July 14; the Government of Nigeria (GON) granted it 60 more days to pay the balance of \$675 million.

[¶3.](#) Disagreement continued over which NITEL liabilities Transcorp would assume under the share-purchase agreement drafted by the BPE, the press reported. The lack of a final share-purchase agreement made it difficult for Transcorp to obtain bank loans to buy NITEL within the seven days originally specified by the purchase accord.

[¶4.](#) The press reported July 15 that Transcorp might seek to reduce its purchase of NITEL from 75% (made up of 51% to Transcorp and 24% to an unnamed "foreign technical partner"), to 38% to Transcorp and 37% to the partner. In the meantime, Transcorp is "buying time" to raise the required amount.

[¶5.](#) An Embassy Abuja telecom contact said on July 14 that the deal could be endangered for two additional reasons. Etisalat demanded, as a non-negotiable condition, majority control of NITEL in return for providing the capital for NITEL's purchase. Transcorp was not willing to accept this condition. Transcorp was considering canceling the deal outright because of concern that the transaction might not survive the scrutiny of the Obasanjo administration's successor.

Comment

[¶6.](#) The status of the deal is unclear, but the situation is deeply embarrassing to the GON. With Transcorp's failure to meet the down payment for NITEL's purchase, the GON's

attempts to sell NITEL have grown even more complicated. The government risks a significant loss of revenues and prestige over its apparent inability to sell NITEL, even by negotiated sale to one preferred bidder. It is clear that Transcorp, which the GON hoped would evolve rapidly into a mega-corporation, pursued this purchase without financing in place. This further calls into question Transcorp's managerial expertise.

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